

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 3, 2019

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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUR-2019-00046

For revision of a rate adjustment clause: Rider U,
new underground distribution facilities,
for the rate year commencing February 1, 2020

ORDER FOR NOTICE AND HEARING

On March 25, 2019, Virginia Electric and Power Company ("Dominion" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission") for revision of a rate adjustment clause ("RAC"), designated Rider U, pursuant to, among other things, § 56-585.1 A 6 ("Subsection A 6") of the Code of Virginia ("Code"). Through its Application, the Company seeks to recover costs associated with the Company's Strategic Underground Program ("SUP") for the rate year February 1, 2020, through January 31, 2021 ("2020 Rate Year").

The Company asserts that Subsection A 6 provides that the replacement of any subset of a utility's existing overhead distribution lines that have, in the aggregate, an average of nine or more total unplanned outage events-per-mile over a preceding 10-year period with new underground facilities in order to improve electric service reliability is in the public interest.¹ The Company further states that Subsection A 6 provides that these conversions are deemed to provide local and system-wide benefits, to be cost beneficial, and that the costs associated with

¹ Application at 3. The Company also asserts that, as amended, Subsection A 6 continues to limit the annual incremental increase in investment level pursuant to a petition under clause (iv) of Subsection A 6 to five percent of the Company's distribution rate base. *Id.* at 2-3.

such new underground facilities are deemed to be reasonably and prudently incurred.²

Moreover, the Company asserts Subsection A 6 mandates that the Commission approve recovery of such costs so long as the total costs associated with the replacement of overhead tap lines with underground facilities do not exceed an average cost per customer undergrounded of \$20,000 and an average cost per mile of \$750,000, exclusive of financing costs.³

In addition to an annual update to approved cost recovery associated with the SUP, the Company seeks cost recovery for phase four ("Phase Four") of the SUP, designed to convert an additional 246 miles of overhead tap lines to underground at a capital investment of approximately \$123.0 million with an average cost per mile of \$500,000 and an average cost per customer undergrounded of \$9,264.⁴ Dominion states that its actual expenditures for Phase Four incurred through January 31, 2019, are \$38.1 million, and projected expenditures for the period February 1, 2019, through January 31, 2020, are approximately \$85.0 million.⁵ The Company is requesting to recover the costs of Phase Four through Rider U for only those projects that will be completed prior to February 1, 2020.⁶

The Company states that the two key components of the Rider U revenue requirement are the Projected Cost Recovery Factor and the Actual Cost True-up Factor.⁷ The Company states that the revenue requirement associated with the costs of the previously approved SUP phases

² *Id.* at 3.

³ *Id.*

⁴ *Id.* at 4.

⁵ *Id.*

⁶ *Id.* at 5.

⁷ *Id.*

totals \$29.183 million, which includes a Projected Cost Recovery Factor of \$32.079 million, and an Actual Cost True-up Factor credit of \$2.896 million.⁸ The Company also states that the Projected Cost Recovery Factor revenue requirement for Phase Four costs totals \$22.335 million.⁹ In total, the Company seeks approval of revised Rider U with an associated revenue requirement in the amount of \$51.517 million for the 2020 Rate Year.¹⁰ For purposes of the projected revenue requirements, the Company proposes a 9.2% return on equity ("ROE"), as approved by the Commission in its Final Order in Case No. PUR-2017-00038.¹¹

The impact on customer bills of revised Rider U will depend on the customer's rate schedule and usage. The Company asserts that implementation of the proposed Rider U beginning on February 1, 2020, would decrease the monthly bill of a residential customer using 1,000 kWh per month by \$0.51 over the current Rider U, for a total Rider U bill impact of \$1.33 per month.¹²

Dominion requests a waiver of Rules 20 VAC 5-201-60 ("Rule 60") and 20 VAC 5-201-90 ("Rule 90") of the Rules Governing Utility Rate Applications and Annual Informational Filings¹³ with respect to Schedule 45. In support of its request for waiver of Schedule 45, the Company states the Commission approved a 9.2% base ROE in Case No.

⁸ Direct Testimony of Alan C. Givens at 13. The Application states that it is proposing to true-up Phases One and Two for the period of January 1, 2018 through December 31, 2018. Application at 6.

⁹ Direct Testimony of Alan C. Givens at 13.

¹⁰ *Id.*; Application at 7.

¹¹ Application at 5. *Application of Virginia Electric and Power Company, For the determination of the fair rate of return on common equity to be applied to its rate adjustment clauses*, Case No. PUR-2017-00038, 2017 S.C.C. Ann. Rept. 475, Final Order (Nov. 29, 2017).

¹² Application at 8.

¹³ 20 VAC 5-201-10 *et seq.*

PUR-2017-00038 to be used in the Company's RACs. To promote judicial economy and efficiency of case administration, the Company respectfully requests that the Commission waive, for good cause shown, the requirements of Rules 60 and 90 with respect to the submission of Filing Schedule 45.¹⁴

Finally, in conjunction with the filing of its Application on March 25, 2019, the Company filed the Motion of Virginia Electric and Power Company for Entry of a Protective Ruling ("Motion for Protective Ruling") and a proposed protective ruling that establishes procedures governing the use of confidential information in this proceeding.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that this matter should be docketed; Dominion should provide public notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Application; interested persons should have an opportunity to file comments on the Application or participate as a respondent in this proceeding; and the Commission's Staff ("Staff") should be directed to investigate the Application and file testimony and exhibits containing its findings and recommendations thereon.

We also find that a Hearing Examiner should be assigned to conduct all further proceedings in this matter on behalf of the Commission, including ruling on the Company's Motion for Protective Ruling and filing a final report containing the Hearing Examiner's findings and recommendations.

We further grant Dominion's request to waive the filing of Schedule 45 for purposes of making the Application complete and commencing this proceeding.

¹⁴ Application at 9-10.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUR-2019-00046.

(2) As provided by § 12.1-31 of the Code and Rule 5 VAC 5-20-120, *Procedure before Hearing Examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),¹⁵ a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission.

(3) A public hearing on the Application shall be convened on July 16, 2019, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and the evidence of the Company, any respondents, and the Staff. Any person desiring to offer testimony as a public witness at this hearing should appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(4) The Company shall make copies of the public version of its Application, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Lisa S. Booth, Esquire, Dominion Energy Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means. Copies of the public version of all documents also shall be available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the

¹⁵ 5 VAC 5-20-10 *et seq.*

hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website:

<http://www.scc.virginia.gov/case>.

(5) On or before May 3, 2019, the Company shall cause the following notice to be published as display advertising (not classified) on one occasion in newspapers of general circulation throughout the Company's service territory in Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
VIRGINIA ELECTRIC AND POWER COMPANY FOR
REVISION OF A RATE ADJUSTMENT CLAUSE:
RIDER U, NEW UNDERGROUND DISTRIBUTION
FACILITIES, FOR THE RATE YEAR COMMENCING
FEBRUARY 1, 2020
CASE NO. PUR-2019-00046

- **Dominion Energy Virginia ("Dominion") has applied for approval to revise its Rider U, by which Dominion recovers the costs of its Strategic Underground Program.**
- **Dominion requests a total of \$51.517 million for its 2020 Rider U. According to Dominion, this amount would decrease the monthly bill of a typical residential customer using 1,000 kilowatt hours per month by \$0.51, for a total Rider U bill impact of \$1.33 per month.**
- **A Hearing Examiner appointed by the Commission will hear the case on July 16, 2019.**
- **Further information about this case is available on the SCC website at: <http://www.scc.virginia.gov/case>.**

On March 25, 2019, Virginia Electric and Power Company ("Dominion" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission") for revision of a rate adjustment clause, designated Rider U, pursuant to, among other things, § 56-585.1 A 6 ("Subsection A 6") of the Code of Virginia. Through its Application, the Company seeks to recover costs associated with the Company's Strategic

Underground Program ("SUP") for the rate year February 1, 2020, through January 31, 2021 ("2020 Rate Year").

The Company asserts that Subsection A 6 provides that the replacement of any subset of a utility's existing overhead distribution lines that have, in the aggregate, an average of nine or more total unplanned outage events-per-mile over a preceding 10-year period with new underground facilities in order to improve electric service reliability is in the public interest. The Company further states that Subsection A 6 provides that these conversions are deemed to provide local and system-wide benefits, to be cost beneficial, and that the costs associated with such new underground facilities are deemed to be reasonably and prudently incurred. Moreover, the Company asserts Subsection A 6 mandates that the Commission approve recovery of such costs so long as the total costs associated with the replacement of overhead tap lines with underground facilities do not exceed an average cost per customer undergrounded of \$20,000 and an average cost per mile of \$750,000, exclusive of financing costs.

In addition to an annual update to approved cost recovery associated with the SUP, the Company seeks cost recovery for phase four ("Phase Four") of the SUP, designed to convert an additional 246 miles of overhead tap lines to underground at a capital investment of approximately \$123.0 million with an average cost per mile of \$500,000 and an average cost per customer undergrounded of \$9,264. Dominion states that its actual expenditures for Phase Four incurred through January 31, 2019, are \$38.1 million, and projected expenditures for the period February 1, 2019, through January 31, 2020, are approximately \$85.0 million. The Company is requesting to recover the costs of Phase Four through Rider U for only those projects that will be completed prior to February 1, 2020.

The Company states that the two key components of the Rider U revenue requirement are the Projected Cost Recovery Factor and the Actual Cost True-up Factor. The Company states that the revenue requirement associated with the costs of the previously approved SUP phases totals \$29.183 million, which includes a Projected Cost Recovery Factor of \$32.079 million, and an Actual Cost True-up Factor credit of \$2.896 million. The Company also states that the Projected Cost Recovery Factor revenue requirement for Phase Four costs totals \$22.335 million. In total, the Company seeks approval of revised Rider U with an associated revenue requirement in the amount of \$51.517 million for the 2020 Rate Year. For purposes of the projected revenue

requirements, the Company proposes a 9.2% return on equity, as approved by the Commission in its Final Order in Case No. PUR-2017-00038.

The impact on customer bills of revised Rider U will depend on the customer's rate schedule and usage. The Company asserts that implementation of the proposed Rider U beginning on February 1, 2020, would decrease the monthly bill of a residential customer using 1,000 kWh per month by \$0.51 over the current Rider U, for a total Rider U bill impact of \$1.33 per month.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals.

TAKE NOTICE that the Commission may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents and thus may adopt rates that differ from those appearing in the Company's Application and supporting documents.

The Commission entered an Order for Notice and Hearing that, among other things, scheduled a public hearing on July 16, 2019, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive testimony from members of the public and evidence related to the Application from the Company, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness at this hearing should appear fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

The public version of the Company's Application, as well as the Commission's Order for Notice and Hearing, are available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Lisa S. Booth, Esquire, Dominion Energy Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means.

Copies of the public version of the Application and other documents filed in this case also are available for interested persons to review in the Commission's Document Control Center

located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before July 9, 2019, any interested person wishing to comment on the Company's Application shall file written comments on the Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Any interested person desiring to file comments electronically may do so on or before July 9, 2019, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All such comments shall refer to Case No. PUR-2019-00046.

On or before May 24, 2019, any person or entity wishing to participate as a respondent in this proceeding may do so by filing a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address above. A copy of the notice of participation as a respondent also must be sent to counsel for the Company at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"), any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by Rule 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2019-00046.

On or before June 18, 2019, each respondent may file with the Clerk of the Commission, and serve on the Commission's Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address above. In all filings, respondents shall comply with the Commission's Rules of Practice, including: 5 VAC 5-20-140, *Filing and service*, and 5 VAC

5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2019-00046.

All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

The Commission's Rules of Practice may be viewed at <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from the Clerk of the Commission at the address above.

VIRGINIA ELECTRIC AND POWER COMPANY

(6) On or before May 3, 2019, the Company shall serve a copy of this Order for Notice and Hearing on the following officials, to the extent the position exists, in each county, city, and town in which the Company provides service in the Commonwealth of Virginia: the chairman of the board of supervisors of each county; the mayor or manager (or equivalent official) of every city and town; and the county, city, or town attorney. Service shall be made by either personal delivery or first-class mail to the customary place of business or residence of the person served.¹⁶

(7) On or before June 7, 2019, the Company shall file proof of the notice and service required by Ordering Paragraphs (5) and (6), including the name, title, and address of each official served, with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

¹⁶ Service also may be made electronically if a locality has submitted a written request to the Company for electronic service, pursuant to the Commission's April 19, 2016 Order in Case No. PUE-2016-00039. *See Petition of Virginia Electric and Power Company, For a continuing waiver of 20 VAC-5-201-10 J of the Rules Governing Utility Rate Applications and Annual Informational Filings to permit electronic service to local officials upon request*, Case No. PUE-2016-00039, Doc. Con. Cen. No. 160420194, Order (Apr. 19, 2016).

(8) On or before July 9, 2019, any interested person may file written comments on the Application with the Clerk of the Commission at the address shown in Ordering Paragraph (7). Any interested person desiring to submit comments electronically may do so on or before July 9, 2019, by following the instructions found on the Commission's website:

<http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUR-2019-00046.

(9) On or before May 24, 2019, any person or entity wishing to participate as a respondent in this proceeding may do so by filing a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (7). The respondent simultaneously shall serve a copy of the notice of participation on counsel to the Company at the address in Ordering Paragraph (4). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2019-00046.

(10) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon each respondent a copy of this Order for Notice and Hearing, a copy of the public version of the Application, and a copy of the public version of all materials

filed by the Company with the Commission, unless these materials already have been provided to the respondent.

(11) On or before June 18, 2019, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (7) and serve on the Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (7). In all filings, respondents shall comply with the Commission's Rules of Practice, including: 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2019-00046.

(12) The Staff shall investigate the Application. On or before June 25, 2019, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of its testimony and exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall serve a copy thereof on counsel to Dominion and all respondents.

(13) On or before July 3, 2019, Dominion shall file with the Clerk of the Commission: (a) any rebuttal testimony and exhibits that it expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page; and (b) a summary not to exceed one page of each direct witness's testimony if not previously included therewith. The Company shall serve a copy of the testimony and exhibits on the Staff and all respondents. If not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (7).

(14) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(15) The Commission's Rule of Practice 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, shall be modified for this proceeding as follows: responses and objections to written interrogatories and requests for production of documents shall be served within seven (7) calendar days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney if the interrogatory or request for production is directed to the Staff.¹⁷ Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(16) The Company's request for waiver, in part, of the requirements of 20 VAC 5-201-60 and 20 VAC 5-201-90 for filing Schedule 45 is granted as set forth in this Order.

(17) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Joseph K. Reid, III, Esquire, Lisa R. Crabtree, Esquire, and Jontille D. Ray, Esquire,
McGuireWoods LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219; Lisa S.
Booth, Esquire, Dominion Energy Services, Inc., 120 Tredegar Street, Richmond, Virginia
23219; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer

¹⁷ The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUR-2019-00046, in the appropriate box.

Counsel, Office of the Attorney General, 202 N. 9th Street, 8th Floor, Richmond, Virginia
23219-3424. A copy also shall be delivered to the Commission's Office of General Counsel and
Divisions of Public Utility Regulation and Utility Accounting and Finance.

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